

Message Text

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ACTION EB-11

INFO OCT-01 NEA-11 ISO-00 FMC-04 COME-00 AF-10 ARA-16

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NSAE-00 CG-00 FEA-02 SCI-06 DOTE-00 DODE-00 DRC-01

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R 311100Z JAN 74

FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC 485

INFO AMCONSUL BOMBAY

AMEMBASSY DACCA

AMCONSUL KARACHI

AMCONSUL CALCUTTA

AMCONSUL MADRAS

AMEMBASSY NEW DELHI

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EO 11652: N/A

TAGS: ETRN, ENRG, OCLR, CE

SUBJ: SRI LANKA BUNKERING SITUATION

REF: A) STATE 7876; B) COLOMBO 3173

1. NO DISCRIMINATION AGAINST AMERICAN SHIPPING DETECTED TO DATE. SINCE INAUGURATION OF FUEL RATIONING IN COLOMBO AS DESCRIBED IN REF B, THREE US FLAG SHIPS HAVE REQUESTED BUNKERING FACILITIES. ALL THREE HAVE RECEIVED SUPPLIES SUFFICIENT TO REACH NEXT SCHEDULED PORT, ALTHOUGH IN ONE CASE SHIP UNLOADING AND LOADING SMALL AMOUNT CARGO GRANTED SUBSTANTIALLY SMALLER SUPPLY THAN SHIPS SHIFTING LARGER CARGO. AVERAGE BUNKERING AMERICAN SHIPS 500 METRIC TONS.

2. GSL OFFICIALS DESCRIBE BUNKER SUPPLY NOW AS VERY TIGHT.

A NON-GSL SOURCE SAID STOCK NOW LESS THAN 8000 METRIC

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TONS, WHICH WITHOUT CURRENT RESTRICTIONS WOULD EXHAUST

SUPPLIES WITHIN FIVE DAYS. AT LEAST UNTIL SITUATION EASES WITH EXPECTED ARRIVAL/REFINING OF ADDITIONAL CRUDE MID-FEBRUARY, FOLLOWING BUNKERING PRIORITIES RIGIDLY APPLIED: 1ST) SHIPS LIFTING REGULAR SRI LANKA EXPORTS; 2ND) SHIPPING UNLOADING ESSENTIAL IMPORTS; 3RD) STRANDED SHIPPING; 4TH) SHIPPING ENGAGED IN REGULAR SRI LANKA IMPORT COMMERCE; 5TH) ALL OTHER SHIPPING REQUIRING SMALL AMOUNTS TO REACH NEARBY INDIAN PORTS; AND 6TH) OTHER TRANSIENT COMMERCIAL SHIPPING. ALL SHIPS WILL BE SUPPLIED ONLY ENOUGH FUEL TO REACH NEXT PORT OF CALL OR INTERMEDIATE PORT ENROUTE TO PORT OF CALL. AT PRESENT TIME EVEN HIGH PRIORITY SHIPPING OFTEN RECEIVING ONLY 250 METRIC TONS. ACCORDING SRI LANKA CENTRAL FREIGHT BUREAU (SLCFB) MANAGER, BUNKERING POLICY WAS VERY LIBERAL THROUGH MID-JANUARY WHEN GSL REALIZED STOCKS BEING BADLY DEPLETED, RESULTING IN PRIORITY SYSTEM AND GREATLY INCREASED PRICES.

3. PRICES FOR BUNKERS RAISED JAN 15 TO FOLLOWING LEVELS: FURNACE OIL (1500 SEC HIGH VELOCITY) US \$130 PER TON; FURNACE OIL (1000 SEC) \$130.75 PER TON; DIESEL OIL \$168.50 PER TON; MARINE DIESEL OIL \$163.50 PER TON. THERE ARE NO ADDITIONAL CHARGES.

4. RECENT DRASTIC INCREASE IN FREIGHT RATES AND BUNKER SURCHARGES ARE IMPORTANT FACTORS IN GSL DETERMINATION OF BUNKER PRICES. SLCFB APPROVED MODEST (7 PERCENT) SURCHARGE INCREASE IN NOV/DEC. IN JAN, TWO CONFERENCES CEYLONE/PERSIAN; ARABIAN GULF/RED SEA) WERE PERMITTED INCREASES OF 55 PERCENT OVER OCT LEVEL. ON JAN 21, CEYLON/USA CONFERENCE REQUESTED 200 PERCENT BUNKER SURCHARGE INCREASE (\$8 TO \$24 PER TON). SLCFB HAS REQUESTED FURTHER JUSTIFICATION. MANGER TOLD EMBASSY OFFICER GSL STRONGLY PREFERS SURCHARGES BE MADE ON PERCENTAGE AD VALOREM PER TON FREIGHT BASIS SO LOW VALUE CARGOES NOT EXCESSIVELY PENALIZED AS THEY ARE BY FLAT RATE. ANOTHER GSL OFFICIAL SAID THERE CONCERN THAT VERY HIGH SURCHARGES COULD REDUCE BUNKER EARNINGS BY ELIMINATION FREIGHTER STOPS FOR MARGINAL CARGO.

5. COMMENT: SINCE REFINERY ENTERED PRODCUTION IN 1969, LIMITED OFFICIAL USE

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SRI LANKA HAS COVERED 30 TO 40 PERCENT OF CRUDE COSTS THROUGH BUNKER SALES, ABOUT 500,000 METRIC TONS ANNUALLY. WITH NEW RANGE OF CRUDE PRICES, GSL MUST MAINTAIN OR INCREASE REFINED PRODUCTS EXPORT EARNINGS IF IT IS TO HAVE ANY HOPE OF MAINTAINING CRUDE IMPORT LEVELS AT A TOLERABLE NET FOREIGN EXCHANGE COST.
VAN HOLLEN

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